

## Message Text

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ACTION IO-13

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TAGS: AORG, AFSP, EAID, IAEA

SUBJECT: 1977 IAEA BUDGET: TARGET FOR VOLUNTARY CONTRIBUTIONS

1. SUMMARY: MISSION ANTICIPATES STARTING POSITION OF LDC'S ON TARGET FOR VOLUNTARY CONTRIBUTIONS TO IAEA TECHNICAL ASSISTANCE PROGRAM FOR 1977 WILL BE AT LEAST \$7.0 MILLION, UP FROM \$5.5 MILLION TARGET FOR 1976. INFORMAL CONSULTATIONS WITH AGENCY INDICATE POSSIBILITY, HOWEVER, THAT FINAL TARGET FIGURE MAY BE SET CONSIDERABLY LOWER, I.E., SOMEWHERE BETWEEN \$6.0 MILLION AND \$6.5 MILLION. ACTION REQUESTED: INSTRUCTIONS FOR A&B COMMITTEE. END SUMMARY.

2. TARGET FOR VOLUNTARY CONTRIBUTION WILL AGAIN BE MAJOR TOPIC OF DISCUSSION AT A&B COMMITTEE MEETING THIS YEAR. WITH ESCALATION IN OTHER ELEMENTS OF AGENCY'S BUDGET AVERAGING AROUND 10 TO 11 PERCENT, THEORETICAL MINIMUM INCREASE WHICH LDC'S MAY ACCEPT WOULD APPEAR TO BE APPROXIMATELY \$6.0 MILLION. WITH OVER 25 PERCENT INCREASE IN SAFEGUARDS BUDGET, HOWEVER, AND GIVEN TENDENCY OF LDC SPOKESMEN TO ARGUE FOR PARALLELISM BETWEEN TWO PROGRAMS, LIMITED OFFICIAL USE

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MISSION BELIEVES LDC STARTING POSITION WILL BE

MUCH HIGHER, PERHAPS \$7.5 MILLION, BUT MORE LIKELY CLOSER TO \$7.0 MILLION. JUSTIFICATIONS EXPECTED TO BE FAMILIAR ONES CENTERING ON: (1) PRICE ESCALATIONS (AS BARE MINIMUM TO KEEP PACE WITH PREVIOUS YEARS); (2) FACT THAT NOT ALL TECHNICALLY SOUND REQUESTS FOR TA WERE ABLE TO BE MET IN 1976 PROGRAM (WHICH HAS ALWAYS BEEN TRUE AND WILL LIKELY CONTINUE TO BE TRUE IN 1977); (3) THAT SAFEGUARDS COSTS ARE CONTINUING TO INCREASE, COUPLED WITH WELL-ESTABLISHED LDC POSITION THAT THEIR MEMBERS DO NOT BENEFIT FROM SAFEGUARDS AS MUCH AS DEVELOPED STATES, AND, THEREFORE, THEY MUST SEEK COMPENSATION IN OTHER ASPECTS OF AGENCY'S PROGRAM, PARTICULARLY TA (A VIEW STRONGLY OPPOSED BY U.S. AND OTHER DEVELOPED STATES, AND DEFUSED TO SOME EXTENT THIS YEAR BY FACT THAT COSTS TO LDC'S FOR SAFEGUARDS HAVE BEEN FROZEN THROUGH 1980 BUDGET); AND (4) THAT WITHOUT EXPANDED TA, LDC'S WILL INCREASINGLY BE DEPRIVED OF FRUITS OF VALUABLE TECHNOLOGICAL ADVANCES.

3. WHILE MUCH OF THIS IS ANNUAL RHETORIC, RESULT OF SUCH POSTURING IN PAST FEW YEARS HAS BEEN APPROVAL OF SUBSTANTIAL INCREASES IN TARGET, WHICH U.S. HAS, IN GENERAL, ACCEPTED, RECOGNIZING LONG PERIOD OF TIME DURING WHICH TARGET REMAINED STABLE AT \$2 MILLION (1960-1970), AND FOLLOWING FOUR-YEAR PERIOD (THROUGH 1974) WHEN IT ROSE TO ONLY \$3 MILLION, WHILE OTHER PROGRAMS WERE GROWING MORE RAPIDLY. ANOTHER IMPORTANT FACTOR, OF COURSE, WAS NEED TO GAIN SUPPORT AMONG LDC'S FOR RATHER SUBSTANTIAL INCREASES IN SAFEGUARDS BUDGET IN RECENT YEARS. IT IS NOW BECOMING APPARENT THAT ANOTHER RESULT OF LARGE INCREASES IN TARGET AND IN VOLUNTARY CASH CONTRIBUTIONS, PARTICULARLY OVER LAST THREE YEARS, HAS BEEN AN INCREASING RATE OF GROWTH IN UNOBLIGATED BALANCES IN OPERATING FUND II (SEE PARAGRAPH 25 OF GOV/1781, THE AGENCY'S ACCOUNTS FOR 1975), SUGGESTING EITHER LACK OF SUFFICIENT STAFF TO IMPLEMENT THE TA PROGRAM, OR LACK OF LIMITED OFFICIAL USE

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ABSORPTIVE CAPACITY OF LDC'S FOR EXPANDING ASSISTANCE, OR A COMBINATION OF THESE.

4. COMBINATION OF INCREASED GROWTH IN UNOBLIGATED BALANCES OVER LAST FIVE YEARS MAY GIVE OPPONENTS OF LARGE INCREASE IN TARGET A PEG ON WHICH TO HANG ARGUMENTS FOR A YEAR'S BREATHING SPACE IN GROWTH OF TARGET. LINE OF SUCH ARGUMENT COULD BE THAT

WHILE USG RECOGNIZES NEED FOR MODERATE GROWTH IN TA PROGRAM, THIS MUST BE ACCOMPANIED BY GOOD FINANCIAL PLANNING. OUR FINANCIAL AUTHORITIES BELIEVE THAT GROWTH OVER PAST THREE YEARS IN CASH RESOURCES FOR PROGRAM HAS BEEN TOO RAPID TO BE EITHER ABSORBED BY LDC'S OR IMPLEMENTED BY AGENCY (AS EVIDENCED BY LARGE UNOBLIGATED BALANCES). WE COULD THEN CALL FOR EITHER NO INCREASE IN TARGET, OR, ALTERNATIVELY, MODERATE INCREASE SOLELY TO MAKE UP FOR INFLATION, WHILE CONSIDERING HOW AGENCY CAN GEAR UP FOR EXPANDING PROGRAM IN FUTURE. AGENCY NOW HAS SUBSTANTIAL AMOUNTS OF UNEXPENDED FUNDS, (\$2.74 MILLION AT END OF 1975) PARTLY DUE TO RATHER LONG LENGTH OF TIME IT TAKES TO COMPLETE IMPLEMENTATION OF PROJECTS (AVERAGE OF ABOUT 4 YEARS) AND PARTLY DUE TO FACT THAT FUNDS ACCUMULATE AND DO NOT NEED TO BE LIQUIDATED DURING GIVEN TIME PERIOD. THUS IT SEEMS CLEAR THAT ANY INCREASE IN THE TARGET OVER \$6 OR \$6.25 MILLION WOULD SIMPLY FURTHER INCREASE THE SIZE OF UNOBLIGATED BALANCES AND THEREFORE BE UNJUSTIFIED, AS THIS WOULD FURTHER THE UNECONOMIC USE OF MEMBERS' FINANCIAL RESOURCES.

5. MISSION BELIEVES SUCH ARGUMENTS COULD BE SOLD TO AGENCY'S TA MANAGEMENT TEAM. PLEA FOR YEAR OF CONSOLIDATION COULD BE SWEETENED BY ADVICE TO AGENCY ON HOW TO ORGANIZE STAFF BETTER TO MEET INCREASED DEMANDS AS WELL AS RESOURCES FOR TA IN YEARS AHEAD. QUESTION IS WHERE U.S. COMES DOWN ON ACTUAL TARGET FIGURE AND WHERE WE BELIEVE COMPROMISE CAN BE STRUCK. CURRENT INFORMATION SEEMS TO INDICATE THAT MISSION MAY BE ABLE TO COUNTER ANTICIPATED \$7 OR \$7.5 MILLION LDC LIMITED OFFICIAL USE

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STARTING POINT WITH INITIAL RELUCTANCE TO INCREASE SUBSTANCE AT ALL BUT OFFER TO SEE INFLATIONARY INCREASE TO \$6 MILLION. THIS POSITION, COUPLED WITH ARGUMENT OUTLINED IN PARAGRAPH 4 ABOVE SHOULD MAKE COMPROMISE POSSIBLE, HOPEFULLY AT NO HIGHER THAN \$6.25 MILLION.

6. MISSION REQUESTS DEPARTMENT CONSIDERATION THESE FACTORS AND INSTRUCTIONS FOR U.S. POSITION ON TARGET FOR A&B COMMITTEE. STONE

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